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## Patent Prosecution Update

November 2013

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### Inequitable Conduct Post-*Therasense*: Two Important Recent Rulings

by Elizabeth A. Doherty, Ph.D.

Inequitable conduct is a highly potent defense to patent infringement in the United States. As the Court of Appeals for the Federal Circuit has pointed out, the defense has the effect of an “atomic bomb” and can “endanger a substantial portion of a company’s patent portfolio.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288-89 (Fed. Cir. 2011). Unlike invalidity defenses, which pertain to particular claims of a patent, a finding of inequitable conduct renders the *entire patent* invalid and unenforceable, and may knock out continuations and divisionals of that patent as well. A finding of inequitable conduct in a patent protecting an important commercial product can also lead to antitrust and unfair-competition claims against the patent holder in subsequent suits, which are not only costly to litigate but can expose the patent holder to punitive damages. *See id.* at 1289. A significant risk of unenforceability can also severely diminish the value of a patent portfolio intended for licensing or sale.

To prove inequitable conduct, the defendant must show that the patent applicant: (1) withheld or misrepresented so-called “material” information, and (2) did so with intent to deceive the U.S. Patent and Trademark Office (USPTO). *See id.* at 1287. Due to concern over the harsh effects of inequitable conduct on the patent holder, the Federal Circuit in *Therasense* tightened the standards required for finding inequitable conduct. *See id.* at 1288-89. Specifically, the Federal Circuit held that “the materiality required to establish inequitable conduct is but-for materiality,” meaning that if the USPTO had been aware of the withheld or misrepresented information, it would not have issued the patent. *Id.* at 1291. As to intent, the court found that the challenger “must prove by clear and convincing evidence that the applicant knew of the [material information], knew that it was material, and made a deliberate decision to withhold it.” *Id.* at 1290. The court elaborated that “the specific intent to deceive must be ‘the single most reasonable inference able to be drawn from the evidence.’” *Id.* (quoting *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008)). Thus, “when there are multiple reasonable inferences that may be drawn, intent to deceive cannot be found.” *Id.* at 1290-91. However, where there is proof of “affirmative egregious misconduct” such as a “‘deliberately planned and carefully executed scheme[ ]’ to defraud the [USPTO],” it is not necessary to prove that the information at issue was “but-for” material. *Id.* at 1292 (quoting *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 245 (1944)).

In spite of the heightened requirements for finding inequitable conduct, two recent cases illustrate the types of behaviors that can render a patent unenforceable and provide guidance to applicants on how to correct errors during prosecution to avoid accusations of inequitable conduct. The case of *Worldwide Home Products, Inc. v. Time Inc.*, No. 11 Civ. 3633, slip op. (S.D.N.Y. Sept. 30, 2013), involved a patent claiming a set of clothes hangers that stack together in a particular, nested pattern. The examiner had rejected the claims over a reference describing a prior clothes hanger set with an apparently similar design. *Id.* at 2-3. To distinguish the claimed hangers from the prior art hangers, the applicant’s attorney amended the claims to add a further structural limitation and also held a telephone interview with the examiner about the rejection. *Id.* at 3-4. According to the court, the reference the examiner had cited did not provide very clear photographs or drawings of the prior art hangers, and so the examiner allowed the

amended claims over that prior art. See *id.* at 13-17. The attorney prosecuting the application, however, at the time he made the claim amendments and discussed the application with the examiner, had physical samples of the prior art hangers in his possession. *Id.* at 4. In addition, a third party had sent the attorney high-resolution photographs of the prior art hangers before the patent issued. *Id.* at 5-6. The samples and photographs allegedly demonstrated that the claim amendments did not distinguish the claimed hangers from the prior art hangers. *Id.* The attorney, however, did not provide any information about the samples or photographs to the USPTO. *Id.* at 6-8.

The district court held that there was no question that the nondisclosed information about the hangers was “but-for” material to the patent application, as it was the basis for a claim rejection and also inferred from the surrounding circumstantial evidence that the nondisclosure was intentional. *Id.* at 13, 15-18. In particular, there was evidence of a “sense of urgency” for the applicant in obtaining this patent, as the applicant intended to immediately enforce it against the defendants in the lawsuit. *Id.* at 5. The prosecuting attorney testified that he was not aware that either the hangers or the high-resolution photographs of the hangers were prior art and thus material, and that this was why he did not submit the information. *Id.* at 8. Despite this testimony, the court found that the attorney had engaged in a “pattern of disingenuous behavior” and held the patent unenforceable. *Id.* at 16-18.

In *Intellect Wireless, Inc. v. HTC Corp.*, No. 2012-1658, slip op. (Fed. Cir. Oct. 9, 2013), the Federal Circuit found a pattern of deceptive behavior in the submission of false declarations during prosecution and a failure to clearly correct the false statements. The court also pointed out that submitting a false declaration “is exactly the sort of ‘affirmative act[ ] of egregious misconduct’ that renders the misconduct ‘material.’” *Id.* at 7 (alteration in original) (quoting *Therasense*, 649 F.3d at 1292).

In *Intellect Wireless*, the inventor submitted a declaration to overcome a claim rejection that falsely stated that his invention had been “actually reduced to practice” (e.g., through building a prototype) and that the invention was demonstrated at a meeting on a particular date. *Id.* at 3-5. In fact, the invention had only been “constructively reduced to practice” (i.e., through the filing of a patent application). *Id.* While the applicant submitted a revised declaration stating that the applicant was relying on constructive rather than actual reduction to practice, the Federal Circuit found the revised declaration insufficient to cure the earlier false statements, in part because the revised declaration did not point out that the earlier statements were untrue. *Id.* at 4-6. Specifically, the court found that “the declaration nowhere expressly stated the actual facts” and that it did not “openly advise the USPTO of [the inventor’s] misrepresentations.” *Id.* at 6. The patent holder argued that, in any case, there was no specific intent to deceive the USPTO given the inventor’s attempts to correct the record during prosecution. *Id.* at 9. But the court disagreed. Instead, it found that the inventor and applicant engaged in a “pattern of deceit, which makes [an] inference [of intent to deceive] stronger.” *Id.* at 10. Coming back to the revised declaration, the court further noted that it “dances around the truth” by referring to a “prototype” that had never been built and to a “product brochure” and “commercialization,” despite the lack of a product. *Id.* at 10-11.

*Intellect Wireless* illustrates that great care should be taken in preparing and submitting declarations and other evidence of patentability to the USPTO as a court may view errors in a declaration to be inherently material. But the case also indicates that, if factual mistakes are found in a declaration, openly and clearly identifying those mistakes and providing the correct facts in a later submission so that the examiner can evaluate the information before allowing the application may help to avoid a finding of inequitable conduct. See *id.* at 5-6. Both of these recent cases indicate that if mistakes are made during prosecution of an application, it may be possible to correct them during prosecution so long as the correct information is clearly presented to the examiner at a time when the examiner can act on the information. It may also be possible after the 2011 America Invents Act to attempt to cure inequitable conduct once a patent has issued, either through the newly introduced “supplemental examination” procedure or through the filing of a reissue application. But those postissuance procedures are costly, can be quite slow, and can create additional enforceability risks. Thus, if mistakes are found during prosecution of a patent

application, it may be best to attempt to correct them before a patent issues.

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### Claim Drafting Exhaustion: Potential Implications of Claim Format

by Elliot C. Cook

In the landmark case *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), the Supreme Court considered whether and to what extent the authorized sale of an unpatented component may exhaust patent rights covering a method performed by the component when integrated into a product. The Court held that exhaustion may arise where the component includes all inventive aspects of the patented method and has no reasonable noninfringing use. *Id.* at 638. The Federal Circuit recently considered whether this two-part test—the so-called “substantial embodiment” test—applies in the situation where the product being sold is itself patented. In *Keurig, Inc. v. Sturm Foods, Inc.*, 732 F.3d 1370 (Fed. Cir. 2013), the Federal Circuit held that the substantial-embodiment test is inapplicable in that situation and exhaustion applies based on the authorized sale of the patented product. The Federal Circuit’s decision is relevant to practitioners when deciding what types of claims, e.g., method and/or apparatus, to include in an application.

In the *Keurig* district court litigation, Keurig alleged that single-serve beverage cartridges manufactured and sold by Sturm for use in Keurig’s beverage-brewing machines infringed two Keurig patents. The claims asserted by Keurig were all method claims, and were directed to brewing a beverage (e.g., coffee) using a cartridge. Keurig alleged that the method claims were directly infringed based on the use of Sturm cartridges, and that Sturm was liable for indirect infringement by inducing and contributing to that infringement.

At summary judgment, Sturm argued that it did not infringe the claims because Keurig’s patent rights were exhausted. In particular, Sturm argued that Keurig’s initial authorized sale of its brewing machines triggered exhaustion, because the machines completely practiced the claimed invention. According to Sturm, because the brewing machines themselves were patented articles—rather than mere components that incompletely practiced the invention—the substantial-embodiment test from *Quanta* did not apply. The district court agreed with Sturm and granted summary judgment of noninfringement.

On appeal, Keurig argued that the district court erred by not applying *Quanta*’s substantial-embodiment test. Keurig argued that there was no exhaustion because, under that test, its brewers did not substantially embody the asserted method claims due to the machines’ various noninfringing uses. Sturm responded that the substantial-embodiment test was inapplicable, because it was created only to address situations where the component being sold is unpatented. According to Sturm, because the brewer itself is patented and is the article being sold, exhaustion applies without regard to the substantial-embodiment test.

The Federal Circuit agreed with Sturm and affirmed the district court’s summary judgment of noninfringement. As the Federal Circuit explained, the underlying rationale of the exhaustion doctrine is that “an unconditional sale of a patented device exhausts the patentee’s right to control the purchaser’s use of that item thereafter because the patentee has bargained for and received full value for the goods.” *Id.* at 1373. The Federal Circuit noted that the Supreme Court’s decisions in *Quanta* and *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), dealt with situations where the product being sold was unpatented

but nonetheless substantially embodied a patented method. Here, by contrast, the product being sold was patented, because it was undisputed that Keurig's brewers were commercial embodiments of the apparatus claims in its patents.

The majority of the Federal Circuit panel also expressed concern that Keurig's argument, if accepted, would undermine the policy of exhaustion. As the majority explained, Keurig's argument would allow patentees to include both apparatus and method claims in their patents, where the apparatus claims could potentially be exhausted without the method claims being exhausted. The majority also noted that "patent exhaustion jurisprudence has focused on the exhaustion of the patents at issue in their entirety, rather than the exhaustion of the claims at issue on an individual basis." *Keurig*, 732 F.3d at 1374. Consequently, "Keurig's decision to have sought protection for both apparatus and method claims thus means that those claims are judged together for purposes of patent exhaustion." *Id.*

In a concurring opinion, Judge O'Malley agreed that Keurig's method claims were exhausted but based on a simpler analysis. Judge O'Malley explained that a long-standing principle of exhaustion, that "the initial authorized sale of a patented item terminates all patent rights to that item," was sufficient to resolve the case. *Id.* at 1375 (O'Malley, J., concurring) (quoting *Quanta*, 553 U.S. at 625). According to Judge O'Malley, "Keurig's patent rights covering normal methods of using its brewers to brew coffee would be exhausted by the sale of the Keurig brewers, regardless of which patent or patents contain the relevant apparatus and method claims." *Id.*

Practitioners should take note of *Keurig* when deciding what types of claims to include in a patent application. *Keurig* reiterated the holding in *Quanta* that exhaustion can apply to all types of claims (e.g., method or apparatus). Nevertheless, it was important to each of the judges that issued the *Keurig* decision that the Keurig brewers were themselves patented articles. The majority appeared to reach this conclusion because the "brewers are commercial embodiments of the apparatus claims of the [asserted] patents." *Id.* at 1373 (majority opinion). If the patents included only method claims, not apparatus claims, the court may have been less willing to find that *Quanta*'s substantial-embodiment test was inapplicable and, hence, exhaustion may have been tougher to prove.<sup>1</sup> Therefore, when practitioners consider what types of claims to draft for a contemplated commercial product, they should be cognizant of the increased likelihood of exhaustion applying when an apparatus claim is included that embodies the product.

<sup>1</sup> For a very recent example of how the *Quanta* "substantial embodiment" test applies, refer to the Federal Circuit's decision in *LifeScan Scotland, Ltd. v. Shasta Technologies, LLC*, No. 2013-1271 (Fed. Cir. Nov. 4, 2013). In *LifeScan Scotland*, the Federal Circuit found that a patent claiming a method for using a blood-glucose meter was exhausted by the sale of testing strips because they substantially embodied the patented method.

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### Rule Review

#### *PPH 2.0: Global Prosecution in the Fast Lane*

*by Clara N. Jimenez*

The Patent Prosecution Highway (PPH) has proven to be a successful vehicle enabling faster and less expensive global patent prosecution. The PPH began as a small pilot project in 2006 between the U.S. Patent and Trademark Office (USPTO) and the Japan Patent Office, and has grown in the last few years as applicants become more comfortable with the process.

In its original version, the PPH provides a framework that allows applicants to request expedited examination, in an office of second (or subsequent) filing, of an application whose claims have been determined to be patentable in an office of first filing. Under this scheme, the favorable examination results have to be issued by the office of first filing before any of the other offices can accept PPH requests. Currently, the USPTO has PPH agreements with the European Patent Office (EPO) and with the patent offices of Australia, Austria, Canada, China, Colombia, the Czech Republic, Denmark, Finland, Germany, Hungary, Iceland, Israel, Japan, Korea, Mexico, Nicaragua, Norway, the Philippines, Portugal, Russia, Singapore, Spain, Sweden, Taiwan, and the United Kingdom.

A disadvantage of the original PPH program, however, is that applicants cannot take advantage of the PPH if the first favorable examination results are from an office of second filing. To address this shortcoming, eight patent offices agreed to launch an enhanced PPH program called PPH MOTTAINAI.<sup>1</sup> The participants in the first PPH MOTTAINAI program were the United States, Australia, Canada, Finland, Japan, Russia, Spain, and the United Kingdom. PPH MOTTAINAI allows requests for expedited examination on the basis of an indication of allowable/patentable subject matter, from a participating office, regardless of whether the positive outcome is from an office of first filing. The EPO and the patent offices of Germany, Portugal, and Denmark have recently joined PPH MOTTAINAI.<sup>2</sup>

In the past year, the USPTO implemented an updated version of PPH MOTTAINAI, commonly referred to as PPH 2.0, with the goal of attracting more applicants by simplifying the requirements and procedures. The simplified requirements apply to PPH requests filed in the USPTO on or after January 29, 2012, for U.S. applications on which examination has not begun. Provisional applications, plant applications, design applications, reissue applications, reexamination proceedings, and applications subject to a secrecy order are excluded from the program. Requests for participation in the PPH 2.0 program must be filed via EFS-WEB. No fees are associated with the filing of a request. A request for participation in the program, and the special status granted, carries over to a Request for Continued Examination (RCE) of the application. But, a request for participation and special status granted in a parent application will not carry over to a continuing application.

To be eligible to participate in the PPH 2.0 program, at least one claim in a patent application must have been determined to be allowable/patentable by one of the foreign participating offices. The applicant no longer needs to submit a copy, or English translation, of the allowed claims or decision to grant from the application in the foreign participating office. The applicant must, however, submit a copy of the last office action (and English translation thereof) issued prior to the decision to grant a patent (assuming the



application was not allowed in a first office action).<sup>3</sup> An Information Disclosure Statement (IDS) listing the documents cited in all the office actions from the foreign participating office and copies of the cited documents are also required.

The U.S. application and the application from the foreign participating office upon which the request is based must also have the same priority or filing date.

The claims in the U.S. application must *sufficiently correspond* to one or more of the allowable/patentable claims in the application in the foreign participating office. A claim *sufficiently corresponds* where the claim in the U.S. application is of the same or similar scope as a claim indicated as allowable/patentable. Differences in the claims due to translation and claim format are acceptable. A claim in the U.S. application that introduces a new/different category of claims is not considered to *sufficiently correspond*. For example, if the only allowable/patentable claims in the foreign application are claims to a process of manufacturing a product, then any product claims in the U.S. application are not considered to sufficiently correspond, even if the product claims are dependent on process claims that sufficiently correspond to the allowable/patentable claims.

Claims in the U.S. application with narrower scope than the allowable/patentable claims in the foreign participating office will also *sufficiently correspond* if presented as claims dependent from a claim that is of the same or similar scope as the allowable/patentable claim in the foreign participating office. Any additional limitations that narrow the scope of the U.S. claims must have support in the written description of the U.S. application. The applicant is required to submit a claims-correspondence table in English indicating how all the claims in the U.S. application correspond to the allowable/patentable claims in the foreign participating office.

If the request for participation in the program is granted, the U.S. application will be advanced out of turn for examination. The applicant is required to submit, along with any subsequent amendment, a statement certifying that the amended or newly added claims sufficiently correspond to the allowable/patentable claims in the foreign application. If the certification statement is omitted, the amendment will not be entered and will be treated as a nonresponsive reply.

If the request for participation is defective, the applicant has one opportunity to cure the defects by filing a renewed request. If the request is not perfected, the applicant will be notified and the application will await action in its regular turn. Action on the application by the USPTO is not suspended while the applicant corrects any defects. Thus, if a first substantive action is issued before the filing of a renewed request, the renewed request will be dismissed.

USPTO statistics for the first half of 2013 show that PPH applications prosecuted under the PPH enjoyed more compact prosecution. PPH applications have an 86% grant rate, and have an average pendency, from PPH request to final decision, of 11.4 months, which is impressive when compared to the 30.7 months pendency for non-PPH applications. With the good results and simplified procedures offered in PPH 2.0, practitioners should keep this tool handy for advancing prosecution.

<sup>1</sup> MOTTAINAI is a Japanese term conveying a sense of regret concerning waste.

<sup>2</sup> Detailed procedures and other information available at the PPH portal site, <http://www.jpo.go.jp/pph-portal/links.htm> (last visited Oct. 29, 2013).

<sup>3</sup> The applicant may alternatively request that the USPTO obtain a copy of the office action and its English translation via the dossier access system, if available. See Revised Requirements for the Patent Prosecution Highway (PPH) Program to Implement PPH 2.0 with Participating Offices, Official Gazette of the United States Patent and Trademark Office (Mar. 6, 2013) *available at* <http://www.uspto.gov/web/offices/com/sol/og/2012/week10/TOC.htm#ref15> (last visited Oct. 29, 2013).

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### EPO Practice

#### *Revision of the Requirements for Filing Divisional Applications*

*by Martin D. Hyden and J. Derek McCorquindale*

In a recent about-face, the European Patent Office (EPO) Administrative Council voted on October 16, 2013, to amend several rules of the European Patent Convention (EPC) dealing with the requirements for filing of divisional applications.<sup>1</sup> The EPO's current rule, in force since April 1, 2010, limits the filing of European divisional applications to within two years of either the first examination report of the parent application, or the first objection of lack of unity under Article 82 EPC, whichever is the later.<sup>2</sup>

#### Two-Year Window Repealed

The amendments repeal the restrictive two-year window for filing divisional applications with effect from April 1, 2014.<sup>3</sup> Under the amended rules, applicants will be allowed to file divisional applications as long as the earlier (parent) application is still pending, i.e., not abandoned, granted, or refused. Thus, similar to EPO practice before April 2010, any pending EPO application can indefinitely give rise to further divisionals, and divisionals of divisionals, without a preset deadline. The option to file a divisional application will apparently also be restored to European patent applications still pending on April 1, 2014, but for which the two-year window had previously closed under the current version of Rule 36(1) EPC.

The strict time limits in place for the last several years were seen mostly as an attempt to curb the use of divisional applications as a means of extending the pendency of subject-matter under examination. But, as an unintended consequence, time limits on dividing applications frequently led to filing additional, precautionary applications just before expiry of the twenty-four months. A return to the former EPO rule permits waiting until a parent application is nearing grant before filing divisional applications.

Precautionary or "back-up" applications—often filed under the current rule before it can be known what subject matter will likely be allowed in the parent—may become less necessary.

#### Additional Fees

The Administrative Council further announced that there will be additional fees for filing divisional applications of the second or subsequent generations.<sup>4</sup> The amount of the additional fees has not been made public as yet.

The fees applied to such application chains under amended Rule 38 EPC will potentially escalate with each divisional generation, until reaching a flat-fee maximum. While such a progressive fee structure could reduce the number of divisional applications filed, the EPO has not announced the new fees, so it is difficult to predict how much delaying or filing divisionals of divisionals will affect overall cost and strategy.

#### Back-Annuities

The requirement to pay back-annuities for divisional applications remains. European patent applications are subject to the payment of renewal fees to the EPO, submitted in advance of the year for which they are due. Renewal fees are required from the third year following the European filing date, and for each

subsequent year until the application is granted, at which time the payment of renewal fees is tied to the states in which the granted patent is validated. When filing a divisional application, it is also necessary to pay renewal fees based on the filing date of the parent application (in other words, the renewal fees that would have been paid if the divisional had been filed on the same date of the parent).

Accordingly, while the amendment to Rule 36(1) EPC will permit delaying the filing of divisional applications, the fees associated with doing so continuously accrue. For example, an applicant filing a divisional application five years after the parent application's filing will still have to pay annuities for years 3, 4, and 5, respectively. Upon reaching seven or eight years, an applicant could be on the hook for several thousand euros in annuities alone, on top of any regular fees (viz. filing, search, examination, designation, or excess claims or pages). Furthermore, the base date for calculating the renewal fees is the first parent, so a second divisional of a first divisional must pay renewal fees based on the filing date of the parent of the first divisional, not the filing date of the first divisional.

#### Permitted Matter

Notwithstanding the changes to the timing of divisional filings, there was no alteration to Articles 76(1) and 123(2) EPC, which mandate that a European divisional application may be filed only in respect of subject-matter which does not extend beyond the content of the earlier application as filed, and may not be amended in such a way that it contains subject-matter which extends beyond the content of the application as filed. Thus, anything disclosed in a divisional application must still be directly and unambiguously derivable from what is disclosed in each of the preceding applications.

It is well-established that an applicant cannot add matter in a divisional application beyond what is disclosed in the parent, nor can an applicant recapture matter in a divisional application that was already refused in the parent by the EPO. It is also not possible to use a second divisional of a first divisional to recapture subject-matter found only in the parent application and not in the first divisional. This can be of particular concern if subject-matter of interest is found only in the claims of the parent that are not carried through to the first divisional. These subject-matter restrictions on divisional practice persist despite the recent amendments.

#### Conclusion

Now that the EPO has announced elimination of the twenty-four-month deadline for filing divisional applications, on condition that the parent is still pending, applicants will find that they have many more options in the prosecution of patent families. Even applicants with currently pending EPO applications for which the two-year window has already closed may consider prolonging the examination at least five months to benefit from the new rule beginning April 1, 2014. Nevertheless, the limitations on added matter remain, so a basis for any claim in a divisional application must be found in the parent application in the same way as if it had been presented as an amendment of the parent.

<sup>1</sup> See Decision of the Administrative Council of 16 October 2013 amending Rules 36, 38, and 135 of the Implementing Regulations to the European Patent Convention (CA/D 15/13) ("Decision of 16 October 2013").

<sup>2</sup> See Rule 36(1) EPC (current version).

<sup>3</sup> Decision of 16 October 2013 ("Rule 36(1) shall read as follows: '(1) The applicant may file a divisional application relating to any pending earlier European patent application.'").

<sup>4</sup> See Press Release, *Revision of the requirements for the filing of divisional applications*, European Patent Office (Oct. 18, 2013); Decision of 16 October 2013 ("The following paragraph 4 shall be added to Rule 38: '(4) The Rules relating to Fees may provide for an additional fee as part of the filing fee in the case of a divisional application filed in respect of any earlier application which is itself a divisional application.'").

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## November 2013 Issue

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### At the Federal Circuit

#### *The Supreme Court Asks: What Is an “Offer to Sell Within the United States”?*

by Eric P. Raciti

Some readers might think that an offer to sell has to occur within the United States in order to meet the requirements of 35 U.S.C. § 271(a).<sup>1</sup> According to the Federal Circuit,<sup>2</sup> however, the actual location of an offer to sell is immaterial, so long as the offer contemplated performance within the United States.

On October 7, 2013, the Supreme Court of the United States issued a Call for the Views of the Solicitor General<sup>3</sup> (CVSG) in *Maersk Drilling USA, Inc. v. Transocean Offshore Deepwater Drilling, Inc.*, S. Ct. No. 13-43 (2013), to focus on what constitutes an “offer to sell . . . within the United States” under 35 U.S.C. § 271(a).

This case involves a dispute between two companies involved in building deepwater oil-drilling rigs, and specifically a feature of these rigs known as “dual-activity.”<sup>4</sup> Transocean holds several patents to these types of rigs, which Maersk’s rigs were alleged to have infringed.

Maersk’s Danish parent corporation contracted with foreign shipyards to build dual-activity rigs, including the rig at issue in this case. In 2006, Statoil Gulf of Mexico LLC, a U.S. company, requested through its Norwegian parent company bids for a marine-drilling contract. Maersk and Transocean submitted competing bids in response, with Maersk offering one dual-activity rig and Transocean offering Statoil a choice of single- and dual-activity rigs.

Maersk won and, in November 2006, entered into a \$650 million contract with Statoil in the Gulf of Mexico. The contract by its terms was governed by U.S. law and constituted what the district court found to be an offer for sale of an infringing rig. The contract included mention of Transocean’s U.S. patents, with Maersk retaining the right to make “alterations” to the “accused rig” in view of court or administrative determinations throughout the world. Maersk eventually delivered the rig to U.S. waters, but modified it to avoid infringement.

Therefore, the actual offer for sale is the only possibly infringing act. The question addressed in the 2010 decision is whether an offer made in Norway by a U.S. company to another U.S. company to sell a product within the United States for delivery and use within the United States constitutes an offer to sell within the United States. The Federal Circuit held that it does.

The Supreme Court has not decided whether to grant certiorari in this case. If the ruling is allowed to stand, then marketing and sales activities outside of the United States can expose a party to liability in the United States. When drafting patent-application claims, until this issue is settled, it is advisable to attempt to ensure that all claim limitations in a U.S. patent are realized within the United States. While the Federal Circuit found the offer for sale of the claimed apparatus took place outside the United States, the apparatus was intended for delivery to the United States. An apparatus is a relatively unitary thing, but combination and systems claims may be more challenging, and methods claims—particularly using remote users, distributed systems, or the Internet—are the most vulnerable to territorial issues in both



cases.

<sup>1</sup> 35 U.S.C. § 271(a) ("Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.").

<sup>2</sup> See *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010).

<sup>3</sup> The Solicitor General supervises and conducts virtually all U.S. government litigation in the U.S. Supreme Court. The United States is involved in approximately two-thirds of all the cases the U.S. Supreme Court decides on the merits each year, according to the U.S. Department of Justice. See <http://www.justice.gov/osg/>.

<sup>4</sup> A dual-activity rig essentially carries two complete drilling systems for increasing efficiency of the rig.

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